



Student Financial Assistance
We help put America through school



Performance Plan

PROGRESS REPORT ❖ 2nd Quarter Fiscal Year 2001

OBJECTIVE ONE

Customer Satisfaction

- SFA released Version 1 of a new School Portal in March. For the first time, many SFA school services are consolidated onto one master Web page, including Recipient Financial Management System (RFMS), Loan Origination, the Direct Loan Servicing system, training opportunities, and a consolidated event calendar for Title IV programs. By providing real-time information, the Web page will enable financial aid professionals to respond more quickly, accurately, and productively. The Portal offers users the convenience of configuring the Web page to suit their personal preferences. Development plans for the future include releasing a second version of the School Portal, which will provide increased personalization, enhanced search results, and collaboration with the National Association of Student Financial Aid Administrators (NASFAA) on a consolidated calendar.
- The Students Channel increased the flow of student aid information to students and parents nationwide. The channel launched a new approach to developing products, provided

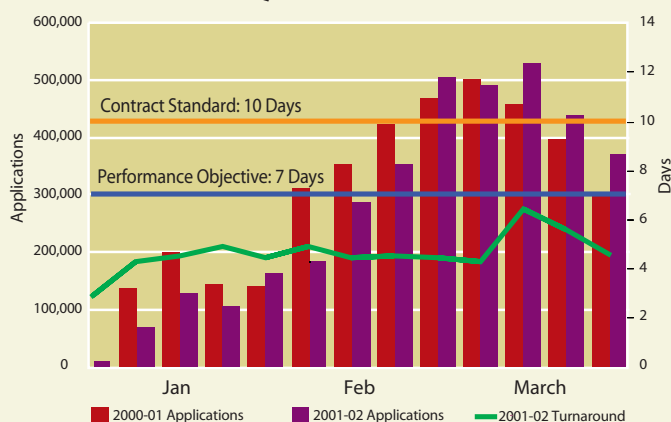


services, and delivered a series of useful and informative publications. The brochures cover a sweeping spectrum of information—from finding affordable ways to search for scholarships and apply for federal student aid, to offering teacher loan forgiveness, to producing a Spanish version of the 2001-02 drug brochure. The Spanish brochure will also provide increased and better information to those students who speak English as a second language. Such students will also benefit from Spanish versions of *The Student Guide, Funding Your Education*, and the *SFA English-Spanish Glossary of Financial Aid Terms*, all of which can be accessed online. Additional products heighten awareness that—

despite student aid scams indicating otherwise—applying for aid is free and information and advice are always readily available.

- SFA's Office of the Ombudsman created a new case management tracking system based on a case management solution developed by Siebel Systems. Siebel is an industry leader in providing applications to improve customer relationships and management strategies. The applications enable SFA to categorize case data thoroughly for reporting purposes and to automate workflow and scripts for speed and accuracy. The Ombudsman's Office handled more than 1,300 calls from student loan borrowers during the first two months of the tracking system's operation. The intake specialists at the call centers use the system to answer the most immediate questions from callers nationwide. Those questions that need further investigation are logged into the case management system and sent to the Ombudsman specialists for resolution. This process allows staff members to respond more consistently to customer questions and offer more complete problem and solution descriptions when referred to the Ombudsman specialists.
- With the release of Version 5.0 of FAFSA on the Web on Jan. 1, 2001, students can apply for aid in the 2001-02 application cycle with increased ease. This popular site provides online editing assistance and content-specific help, cutting down on the costly and time-consuming rejection and rework of applications. Through March, processed applications totaled over 5 million, with 2.1 million, or 41 percent, filed electronically. Furthermore, SFA successfully maintained an average turnaround time of less than five days for processing of 2001-02 applications, surpassing the goal of seven days or less.

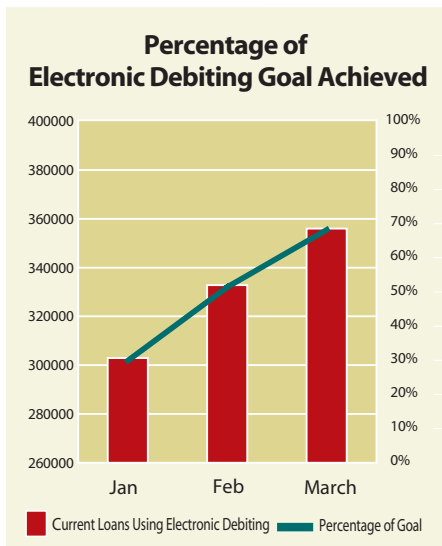
Application Volume Turnaround
2nd Quarter 00-01 and 01-02



OBJECTIVE TWO

Unit Cost Reduction

- Continuing to reduce cohort and lifetime default rates is a high priority for SFA. Motivated by SFA's "Fall Repayment Symposium," representatives from various parts of the higher education community formed a team to accumulate information on innovative ideas and best practices to reduce these rates. Eight sub-teams—all external to SFA—are responsible for collecting this information, which will ultimately be available on a new Intranet Web site for schools and guaranty agencies.
- The Students Channel continues to identify and recover defaulted student loans by means of comparing SFA data to the Department of Health and Human Services' National Directory of New Hires (NDNH) database. These matches have netted more than \$20 million in defaulted student loans, which SFA has returned to the Treasury. The second match included 10 guaranty agencies; follow-up matches are anticipated quarterly and will include participation by additional guaranty agencies.
- The convenience of Direct Loan repayment for borrowers is increasing while simultaneously generating savings for SFA. With the aid of electronic debiting and other electronic methods of payment, the need for writing checks, mailing, and adding postage is eliminated. These processes not only aid in maintaining a consistent payment flow, but also eliminate many of the errors that occur when using paper. Consequently, SFA is making a concerted effort to increase the total number of such borrowers to a minimum of 400,000. At the outset of the 2001 fiscal year, 261,236 borrowers were using electronic debiting. By March 31, 2001, the number of borrowers climbed to 355,810. This increase accounts for an impressive 68 percent of SFA's annual goal.



- SFA received a qualified audit opinion on its FY 2001 financial statement and believes it will receive a clean audit opinion in FY 2000. To accomplish this, SFA is working with the Department's Chief Financial Office to implement processes and procedures to prepare the financial statements of both the Department and SFA. In addition, SFA has two senior managers assigned to the Department's Management Improvement Team Workgroup, which was set up in part to facilitate the acquisition of a clean opinion on the Department's financial statements. SFA is reconciling all critical financial accounts and has set up a process to post the results on an SFA Intranet Web site. Finally, SFA is developing a best-in-business financial management system to support its financial processes and future audit needs.

OBJECTIVE THREE

Employee Engagement

- SFA will relocate to its new Union Center Plaza building beginning in late September 2001. The move will take place in 5 phases, spaced 1 week apart. Amenities include a commuter bus stop nearby Union Station, an after-hours shuttle service from Union Center Plaza to Union Station for employees who work late, and reduced membership rates at the Union Center Health Club.



PERFORMANCE PLAN

Status at a Glance as of March 31, 2001

	Indicator ¹	Status
Students Channel	Establish a Web portal for students that will provide access to student-related online services.	
	Create and launch a new products/services/delivery approach.	
	Launch a single, toll-free, "one call does it all" number for student customer service.	
	Answer 95% of 1-800-4FEDAID calls, and average a four rating (out of five) in weekly service survey.	
	Increase the number of FAFSAs filed electronically from four million last year to five million in FY01.	
	Process all paper and electronic FAFSAs with an average turnaround time of seven days or less.	
	Upgrade the Student Aid Report (SAR) for the 2002-03 School year with a plain language letter.	
	Analyze the results of the IRS Phase II statistical study of electronic matching of income data.*	
	Increase to 400,000 the total number of borrowers repaying Direct Loans through Electronic Debiting.	
	Retire Central Data System, transferring necessary functionality to other systems.	
	Process all deferment and forbearance requests within seven days of receipt at the DL Servicing Center.	
	Provide, via the DL Servicing Web site, new Spanish language deferment and forbearance requests.	
	Process Loan Consolidations in 50 days or less.	
	Increase the number of consolidation applications filed electronically by 50% in FY01.	
	Keep the default recovery rate at 10% or higher.*	
	Implement the National Directory of New Hires database matching program.*	
	Establish a program and multi-year goals to further reduce the cohort and lifetime default rates.*	
Schools Channel	Increase oversight efforts by increasing Program Reviews by 20%.*	
	Educate the foreign school community about SFA program requirements to reduce non-compliance.*	
	Implement a pilot program that prevents students from falsifying enrollment at foreign institutions.*	
	Determine the initial cohort of recertification applications of foreign non-medical schools in FFEL.	
	Keep the cohort default rate under 8%.*	
	Provide each school with a single SFA point-of-contact.	
	Release version 1 of the School Portal.	
	Release version 2 of the School Portal.	
	Choose operating partners to assist in building common business processes and systems.	
	Develop and implement a strategy for creating a single "system" of unduplicated school data.	
	Complete 96% of reimbursement requests within 30 days.	
	Develop action plans for at least 90% of the schools on reimbursement.*	
	Resolve 93% of school audits within six months of receipt.*	
	Process 98% of the Direct Loan origination and disbursement records within two days.	
	Process 98% of the Pell funding requests from RFMS receipt through GAPS within 24-36 hours.	
	Migrate the Campus-Based System to a relational database for use in the 2001-02 FISAP filing.	
	Provide Direct Loan schools with results of PLUS loan credit checks within two days.	
	Eliminate the mid-term Financial Aid Transcripts.	
	Maintain the viability and competitiveness of the Direct Loan Program.	
	Provide Direct Loan schools with results of online entrance counseling electronically.	
Financial Partners Channel	Establish a program and multi-year goals to further reduce the cohort and lifetime default rates.*	
	Establish Web portal for Financial Partners to provide one-stop access to SFA services and information.	
	Design and implement improvements to the core business functions.	
	Implement and monitor at least four voluntary flexible agreements for program participation.	
	Submit a report to Congress on the viability of expanding the VFA pilot.	
	Implement a centralized processing pilot project to eliminate false death and disability claims.*	
	Complete investigative analysis on the remaining 1,300 discharges identified from the IG audit.*	
	Retire the FFEL System (Phase I).	
	Create the Data Mart (Phase I).	



Complete



On Target









































Progress Concerns



Not Met

PERFORMANCE PLAN

Status at a Glance (continued)

	Indicator ¹	Status
CIO	Achieve 90% of the annual major modernization milestones that have been approved by the ITIRB.	
	Implement an infrastructure to support a standard branding view of all SFA data.	
	Reduce overall volume-adjusted operating costs for systems migrated to the data center by 5%.	
	Convert partner interfaces from a private network to the Internet.	Delayed
	Use data warehousing to provide information for management reporting and trend analysis.	
	Build the enterprise technical architecture including Middleware.	
	Enhance the security infrastructure based upon the framework and policies developed in FY00.*	
	Implement configuration management for SFA initiatives.	
	Complete the IT policies and procedures manual.	
	Implement three Electronic ID processes and test these with customers, external partners, or employees.	
	Complete the migration of the Direct Loan Servicing System to the Virtual Data Center.	Dropped
	Publish Application Program Interface Standards for all technical services and some business services.	
	Develop the Enterprise Solution for Electronic Signature.	
CFO	Demonstrate enhanced SFA financial management.*	
	Provide full accounting capability for all SFA programs through implementation of the FMS.*	
	Obtain an unqualified opinion on the FY00 SFA financial statement audit.*	
	Enhance the activity-based costing module to track unit costs and provide quarterly managerial reports.*	
Enterprise Areas	Expand SFANet to be the transaction tool for SFA's internal business.	
	Develop and implement a national outreach campaign to promote use of key SFA electronic products.	
	Design and deliver a course on student aid traditions to all SFA employees by December 15, 2000.	
	Deliver "SFA Front-to-Back" course that explains the processes involved in delivering financial aid.	
	Implement second-generation Ombudsman Case Tracking System (OCTS 2.0).	
	Develop feedback loops to give operating partners quarterly reports on cases specific to their unit.	
	Develop and implement a research agenda focused on collecting and evaluating program performance.	
	Implement an integrated data collection and reporting process on program data to all SFA managers.	
	Pilot individual team-based scorecards.	
	Simplify FFELP Lender Due Diligence Regulations.	
	Create an SFA Policy Guidance Database.	
	Modify procedures to expedite the recruitment process.	
	Implement new employee incentives and recognition programs that support the Performance Plan.	
	Implement SFA Performance Development Process.	
	Implement a "Partnership Program" to establish a better relationship with SFA Operating Partners.	
	Assume complete responsibility for the management of all SFA acquisitions and contracts.	
	Complete adoption of performance measures to appropriate legacy contracts.	
	Ensure new contracts include consistent and value-added performance measures.	
	Increase participation of small businesses in our contracts and in subcontracts by 5%.	
	Develop an automated contract management system to interface with SFA's FMS.	
	Provide performance-based training on acquisition management to all SFA managers.	
	Implement the recommendations of the Document Quality Control Group.*	
	Test all new products or modules with actual "end-users" to identify deficiencies prior to product release.	



Complete



On Target



Progress Concerns



Not Met

*Contributes to the goal of improving the financial integrity of student financial aid programs.

¹List is not exhaustive of all SFA operating goals and improvement projects.

MESSAGE

From the Chief Operating Officer

Dear Customers and Partners:

SFA has racked up another quarter of electrifying progress. Sticking with our e-commerce strategy, schools now have a Web portal where they can do all their business with us electronically. It's chock full of new features that make life easier for student aid professionals, such as training opportunities, Loan Origination, and even a consolidated SFA Title IV event calendar. The popularity of the new Schools Portal is matched by the popularity of our improved online services for students—the use of FAFSA on the Web and electronic debit payments are up by leaps and bounds.

Automation is helping us boost public trust, too—that's the bedrock of our business. Our Ombudsman's new client relations system is helping us keep track of and solve borrowers' problems. It blows away the last vestiges of bureaucratic run-around and allows our superior customer service to shine through. And where we have to be tough to keep the public trust, automation scores again, helping us to find more loan defaulters and to triple-check the honesty of death and disability claims.

Take a look inside. I think you will be as pleased and encouraged as I am by how far we have come this quarter.



Greg Woods



Student Financial Assistance

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